

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

A

E-01345A
Arizona Public Service Company
PO Box 53999
Station 9905
Phoenix, AZ 85072

RECEIVED

APR 14 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

ANNUAL REPORT

FOR YEAR ENDING

12	31	2005
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FOR COMMISSION USE

ANN 01	05
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PROCESSED BY:

4-14-06 RF

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>Arizona Public Service Company</u>		
Mailing Address <u>PO Box 53999</u>		
	(Street)	
<u>Phoenix</u>	<u>AZ</u>	<u>85072-3999</u>
(City)	(State)	(Zip)
<u>602-250-1000</u>	<u>602-250-3003</u>	<u>N/A</u>
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address <u>SAME AS ABOVE</u>		
(Street)		
(City)	(State)	(Zip)
<u>Local Office Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: <u>Justin Thompson</u>		<u>Manager, Regulation, Policy & Analysis</u>	
	(Name)		(Title)
<u>400 North 5th Street MS 9708</u>	<u>Phoenix</u>	<u>AZ</u>	<u>85004</u>
(Street)	(City)	(State)	(Zip)
<u>602-250-2060</u>	<u>602-250-3003</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>Justin.Thompson@aps.com</u>			
On Site Manager: _____			
(Name)			
(Street)	(City)	(State)	(Zip)
<u>Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>	
Email Address _____			

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: CT Corporation

(Name)

3225 North Central Avenue

(Street)

Phoenix

(City)

AZ

(State)

85012

(Zip)

602-250-3252

Telephone No. (Include Area Code)

N/A

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Attorney: Nancy C. Loftin, Vice President, General Counsel & Secretary

(Name)

400 North 5th Street MS 9068

(Street)

Phoenix

(City)

AZ

(State)

85004

(Zip)

602-250-3252

Telephone No. (Include Area Code)

N/A

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☒ APACHE

☒ COCHISE

☒ COCONINO

☒ GILA

☐ GRAHAM

☐ GREENLEE

☒ LA PAZ

☒ MARICOPA

☐ MOHAVE

☒ NAVAJO

☒ PIMA

☒ PINAL

☐ SANTA CRUZ

☒ YAVAPAI

☒ YUMA

☐ STATEWIDE

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

☒ **Electric**

- ☒ Investor Owned Electric
- ☐ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
 - ☐ Transmission Service Provider
 - ☐ Meter Service Provider
 - ☐ Meter Reading Service Provider
 - ☐ Billing and Collection
 - ☐ Ancillary Services
 - ☐ Generation Provider
 - ☐ Aggregator/Broker

☐ **Telecommunications**

- ☐ Incumbent Local Exchange Carrier
- ☐ Interexchange Carrier
- ☐ Competitive Local Exchange Carrier
- ☐ Reseller
- ☐ Alternative Operator Service Provider

☐ **Gas**

- ☐ Natural Gas
- ☐ Propane

☐ **Other (Specify)** _____

STATISTICAL INFORMATION

TELECOMMUNICATION UTILITIES ONLY

Total residence local exchange access lines	_____
Total business local exchange access lines	_____
Total revenue from Arizona operations	\$ _____
Total income from Arizona operations	\$ _____
Value of assets used to serve Arizona customers	\$ _____
Accumulated depreciation associated with those assets	\$ _____

STATISTICAL INFORMATION (CONT'D)

ELECTRIC UTILITY PROVIDERS ONLY

Total number of customers	1,033,500	
Residential	920,420	
Commercial	108,216	
Industrial	3,477	
Public street and highway lighting	973	
Irrigation	337	
Resale	77	
Total kilowatt-hours sold	46,824,014,000	kWh
Residential	12,223,576,000	
Commercial	11,726,801,000	
Industrial	2,388,095,000	
Public street and highway lighting	115,900,000	
Irrigation	23,179,000	
Resale	20,346,463,000	
Maximum Peak Load	6,999.60	MW

GAS UTILITIES ONLY

Total number of customers		
Residential		
Commercial		
Industrial		
Irrigation		
Resale		
Total therms sold		therms
Residential		
Commercial		
Industrial		
Irrigation		
Resale		

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

APR 14 2005

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE _____

COUNTY OF (COUNTY NAME)
Maricopa
NAME (OWNER OR OFFICIAL) TITLE
Chris Froggatt, Vice President and Controller
COMPANY NAME
Arizona Public Service Company

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,325,841,819.00

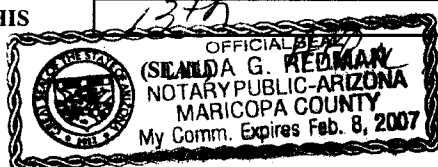
(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 186,074,109.00
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS



DAY OF

13th 2006

COUNTY NAME
Maricopa
MONTH
APRIL 13
YEAR
2006

Seanda G. Redman
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES _____

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

RECEIVED

APR 14 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Maricopa	
NAME (OWNER OR OFFICIAL) Chris Froggatt	TITLE VP & Controller
COMPANY NAME Arizona Public Service Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,173,403,890.00

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 94,181,559.00
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X *Chris Froggatt*
SIGNATURE OF OWNER OR OFFICIAL

602-250-2060
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

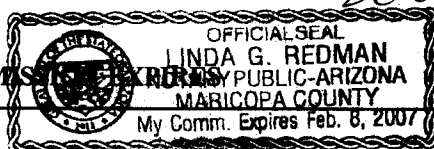
THIS

13th

DAY OF APRIL

(SEAL)

MY COMMISSION



NOTARY PUBLIC NAME Linda G. Redman	
COUNTY NAME Maricopa	
MONTH April 13,	2006

X *Linda G. Redman*
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2005) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF INCOME
(dollars in thousands)

	Year Ended December 31,		
	2005	2004	2003
Electric Operating Revenues:			
Regulated electricity	\$ 2,244,951	\$ 2,051,602	\$ 1,999,390
Marketing and trading	25,842	145,519	105,541
Total	<u>2,270,793</u>	<u>2,197,121</u>	<u>2,104,931</u>
Operating Expenses:			
Regulated electricity			
fuel and purchased power	656,654	612,300	606,251
Marketing and trading			
fuel and purchased power	32,328	150,954	97,180
Operations and maintenance	591,941	540,277	513,604
Depreciation and amortization	325,174	336,648	389,240
Income taxes (Notes 4 and S-2)	157,273	113,696	91,646
Other taxes	125,810	114,265	108,852
Total	<u>1,889,180</u>	<u>1,868,140</u>	<u>1,806,773</u>
Operating Income	<u>381,613</u>	<u>328,981</u>	<u>298,158</u>
Other Income (Deductions):			
Regulatory disallowance (Note 3)	(138,562)	--	--
Income taxes (Notes 4 and S-2)	59,263	(6,334)	4,792
Allowance for equity funds used			
during construction	11,191	4,885	14,240
Other income (Note S-5)	22,141	30,593	20,277
Other expense (Note S-5)	(23,204)	(13,816)	(12,962)
Total	<u>(69,171)</u>	<u>15,328</u>	<u>26,347</u>
Interest Deductions:			
Interest on long-term debt	138,476	140,556	142,706
Interest on short-term borrowings	7,026	6,427	4,904
Debt discount, premium and expense	4,085	4,854	3,337
Allowance for borrowed funds used			
during construction	(7,624)	(7,155)	(7,379)
Total	<u>141,963</u>	<u>144,682</u>	<u>143,568</u>
Net Income	<u>\$ 170,479</u>	<u>\$ 199,627</u>	<u>\$ 180,937</u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(dollars in thousands)

	December 31,	
	2005	2004
ASSETS		
Utility Plant (Notes 1, 6, 9 and 10)		
Electric plant in service and held for future use	\$ 10,682,999	\$ 9,120,407
Less accumulated depreciation and amortization	3,616,886	3,266,181
Total	7,066,113	5,854,226
Construction work in progress	314,584	249,243
Intangible assets, net of accumulated amortization of \$181,046 and \$154,843	90,327	103,701
Nuclear fuel, net of accumulated amortization of \$53,984 and \$59,020	54,184	51,188
Utility plant – net	7,525,208	6,258,358
Investments and Other Assets		
Note receivable from Pinnacle West Energy (Notes 1, 3 and S-6)	--	498,489
Decommissioning trust accounts (Note 12)	293,943	267,700
Assets from risk management and trading activities (Note S-4)	234,372	20,123
Other assets	64,128	61,364
Total investments and other assets	592,443	847,676
Current Assets:		
Cash and cash equivalents	49,933	49,575
Investment in debt securities	--	181,175
Customer and other receivables	421,621	353,772
Allowance for doubtful accounts	(3,568)	(3,444)
Materials and supplies (at average cost)	109,736	83,893
Fossil fuel (at average cost)	23,658	20,506
Assets from risk management and trading activities (Note S-4)	532,923	70,430
Other	14,639	10,187
Total current assets	1,148,942	766,094
Deferred Debits:		
Deferred fuel and purchased power regulatory asset (Notes 1, 3, 4 and S-2)	172,756	--
Other regulatory assets (Notes 1, 3, 4 and S-2)	151,123	135,051
Unamortized debt issue costs	25,279	21,832
Other	91,690	69,541
Total deferred debits	440,848	226,424
Total Assets	\$ 9,707,441	\$ 8,098,552

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(dollars in thousands)

	December 31,	
	2005	2004
LIABILITIES AND EQUITY		
Capitalization:		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital (Note 3)	1,853,098	1,246,804
Retained earnings	860,675	860,196
Accumulated other comprehensive income (loss):		
Minimum pension liability adjustment	(86,132)	(71,087)
Derivative instruments	179,422	18,327
Common stock equity	<u>2,985,225</u>	<u>2,232,402</u>
Long-term debt less current maturities (Note 6)	<u>2,479,703</u>	<u>2,267,094</u>
Total capitalization	<u>5,464,928</u>	<u>4,499,496</u>
Current Liabilities:		
Current maturities of long-term debt (Note 6)	85,620	451,247
Accounts payable	215,384	215,076
Accrued taxes	360,737	292,521
Accrued interest	25,003	33,332
Customer deposits	55,474	51,804
Deferred income taxes (Notes 4 and S-2)	64,210	9,057
Liabilities from risk management and trading activities (Note S-4)	480,138	34,292
Other	227,398	91,441
Total current liabilities	<u>1,513,964</u>	<u>1,178,770</u>
Deferred Credits and Other:		
Deferred income taxes (Notes 4 and S-2)	1,215,403	1,108,571
Regulatory liabilities (Notes 1, 3, 4, and S-2)	592,494	506,646
Liability for asset retirements (Note 12)	269,011	251,612
Pension liability (Note 8)	233,342	203,668
Customer advances for construction	60,287	59,185
Unamortized gain - sale of utility plant (Note 9)	45,757	50,333
Liabilities from risk management and trading activities (Note S-4)	83,774	13,124
Other	228,481	227,147
Total deferred credits and other	<u>2,728,549</u>	<u>2,420,286</u>
Commitments and Contingencies (Notes 3, 11, 12 and S-6)		
Total Liabilities and Equity	<u>\$ 9,707,441</u>	<u>\$ 8,098,552</u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.



Justin Thompson
Manager
Regulation, Policy & Analysis

Tel 602/250-2060
Fax 602/250-3003
e-mail: Justin.Thompson@aps.com
<http://www.aps.com>

Mail Station 9708
P.O. Box 53999
Phoenix, AZ 85072-3999

April 13, 2006

Compliance Section
Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix AZ 85007

RECEIVED

APR 13 2006

**Arizona Corporation Commission
Director of Utilities**

RE: APS ELECTRIC UTILITY ANNUAL REPORT FOR YEAR 2005 AND VERIFICATION AND SWORN STATEMENTS OF 2005 OPERATING REVENUES FROM INTRASTATE AND RESIDENTIAL CUSTOMERS

Dear Sir or Madame:

Pursuant to the Constitution of the State of Arizona, Article 15, Section 13; Arizona Revised Statutes, Section 40-204; and the Commission Rules contained in the Arizona Administrative Code, attached is a copy of Arizona Public Service Company's Electric Utility Annual Report for year ending December 31, 2005.

Pursuant to Arizona Revised Statute 40-401 also find enclosed Arizona Public Service Company's Verification and Sworn Statements of 2005 Operating Revenues from Intrastate and Residential Customers.

If you should have any questions regarding the information contained herein, please call me at 602-250-2060.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

Attachment

Cc: Brian Bozzo, Compliance & Enforcement